

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 JUSE-00 /111 W

-----059600 081252Z /43

R 081234Z APR 78

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7764

INFO AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

LIMITED OFFICIAL USE SECTION 01 OF 02 CAIRO 10360

E.O. 11652: N/A

TAGS: ETRD, EINV, EG

SUBJECT: COCA COLA AND THE BOYCOTT

1. SUMMARY. COCA COLA OFFICIALS HAVE VISITED CAIRO RECENTLY TO PURSUE CITRUS PROJECT FOR WHICH AGREEMENT WAS SIGNED LAST YEAR AND TO INVESTIGATE POSSIBILITIES FOR ENTERPRISES INVOLVING USE OF COKE'S SOFT DRINK SYRUP. REPORTS ARE CIRCULATING LOCALLY THAT COKE HAS BEEN "REMOVED FROM THE EGYPTIAN BOYCOTT LIST", BUT IT APPEARS GOE HAS NOT IN FACT TAKEN FORMAL ACTION TO LIFT BOYCOTT SANCTION AGAINST FIRM. LOCAL SOURCE ASSOCIATED WITH COMPANY TELLS US, COKE HAS GOTTEN GOE TO PERMIT IMPORTATION OF SOFT DRINK SYRUP FOR LOCAL BOTTLING. END SUMMARY.

2. OFFICIALS OF COCA-COLA CORPORATION HAVE VISITED CAIRO RECENTLY TO PURSUE, INTER ALIA, VARIOUS ASPECTS OF LARGE SHARQIA PROVINCE AGRIBUSINESS PROJECT -- INVOLVING LAND RECLAMATION AND CITRUS PRODUCTION, PACKAGING, AND MARKET-  
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ING -- FOR WHICH AGREEMENT WAS SIGNED LAST YEAR. COKE TEAM, WE UNDERSTAND, CONDUCTED FURTHER SOIL TESTS IN PROJECT AREA, AND WORKED ON CHOOSING, FROM A LARGER TRACT, THE PRECISE BOUNDARIES OF THE 15,000 FEDDANS WHICH COMPANY WILL DEVELOP.

3. IN ADDITION TO CITRUS PROJECT, HOWEVER, COKE GROUP

APPARENTLY DISCUSSED WITH EGYPTIANS PLANS FOR POSSIBLE USE OF COMPANY'S SOFT DRINK SYRUP IN EGYPT. AMONG IDEAS DISCUSSED WAS POSSIBILITY OF SETTING UP SYRUP BLENDING FACILITY IN EGYPT, AND CAIRO PRESS REPORTED THAT COKE OFFICIALS HELD DISCUSSIONS WITH HEAD OF ALEXANDRIA FREE ZONE ABOUT ESTABLISHING PLANT THERE. FOR MORE IMMEDIATE FUTURE, ACCORDING TO STORIES CIRCULATING LOCALLY, COKE WAS CONSIDERING ARRANGEMENT WITH LOCAL BOTTLER TO PRODUCE SOFT DRINKS FROM IMPORTED COKE SYRUP.

4. IN DISCUSSION OF POSSIBLE PLANS FOR USE OF COKE SYRUP, QUESTION NATURALLY AROSE OF WHETHER GOE WOULD IN FACT PERMIT IMPORTATION OF PRODUCT MANUFACTURED BY BOYCOTTED COMPANY. IN GENERAL, GOE HAS DRAWN DISTINCTION BETWEEN APPROVAL OF INVESTMENT PROJECTS ON PART OF BOYCOTTED FIRMS AND PERMITTING PRODUCTS MANUFACTURED ELSEWHERE BY THOSE FIRMS TO ENTER COUNTRY. PROJECT APPROVAL HAS NOT, OF ITSELF, MEANT PERMISSION TO IMPORT.

5. IN WAKE OF REPORTS ABOUT PLANS FOR LOCAL BOTTLING OF COKE BEVERAGE, SOME JOURNALISTS AND OTHERS HAD TOLD US IN RECENT WEEKS THAT THEY HAD HEARD THAT COKE HAD BEEN FORMALLY "REMOVED FROM EGYPTIAN BOYCOTT LIST" -- THUS RESOLVING PROBLEM OF PERMITTING IMPORTATION OF FIRM'S PRODUCT. STORY THAT GOE HAD TAKEN SUCH ACTION STRUCK US AS IMPROBABLE. WE KNOW OF NO INSTANCE IN WHICH LIMITED OFFICIAL USE

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GOE HAS ACTED UNILATERALLY TO FORMALLY "REMOVE" A FIRM FROM EGYPTIAN BOYCOTT "LIST".

6. CONVERSATION WITH LOCAL CONTACT WHO HAS SOMETIMES ACTED AS CONSULTANT FOR COKE ON VARIOUS MATTERS HAS NOW CLARIFIED SITUATION TO SOME DEGREE. ACCORDING SOURCE, GOE, AS WE SUSPECTED, HAS NOT TAKEN UNILATERAL ACTION FORMALLY TO LIFT BOYCOTT RESTRICTION WITH RESPECT TO COKE. COKE HAS, HOWEVER, SOURCE CLAIMS, WON GOE AGREEMENT TO "LOOK THE OTHER WAY" WHEN COKE SYRUP IS IMPORTED INTO EGYPT FOR LOCAL BOTTLING OF SOFT DRINKS. WITH GOE APPROVAL, ARRANGEMENT HAS BEEN WORKED OUT FOR PUBLIC SECTOR FIRM, EL NASR BOTTLING CO., TO USE IMPORTED SYRUP TO PRODUCE COKE BEVERAGE WHICH WILL BE SOLD, POSSIBLY UNDER COKE NAME, IN TRADITIONAL COKE BOTTLES.

7. SOURCE INDICATED DECISIVE STEPS IN CURRENT ARRANGEMENT WERE TAKEN IN LATE DECEMBER AND EARLY JANUARY. COKE HAD HOPED THAT PARTICIPATION IN EGYPTIAN AGRIBUSINESS PROJECT WOULD LEAD TO FIRM'S FORMAL REMOVAL FROM ARAB BOYCOTT LIST. AS PROSPECTS FOR BOYCOTT MEETING DIMMED LATE LAST YEAR IN WAKE OF ARAB DISAGREEMENT OVER SADAT INITIATIVE,

COMPANY DECIDED IT WOULD GO AHEAD WITH AGRIBUSINESS PROJECT IN EGYPT WITHOUT FORMAL LIFTING OF BOYCOTT, BUT ONLY IF GOE AGREED OPEN EGYPTIAN MARKET TO FIRM'S BEVERAGES. GOE WAS ANXIOUS TO HAVE AGRIBUSINESS PROJECT GO FORWARD AND THEREFORE ACCEPTED (NOT CLEAR BY WHOM DECISION MADE) COMPANY'S CONDITION. PLAN WAS WORKED OUT TO HAVE LOCAL FIRM PARTICIPATE BY PRODUCING BEVERAGE FROM IMPORTED COKE SYRUP (IMPORTATION OF PREPARED SOFT DRINKS IS IN ANY CASE AT LEAST THEORETICALLY PROHIBITED) AND COKE SEALED ARRANGEMENT BY PAYING IN ITS SHARE OF CAPITAL IN AGRIBUSINESS SCHEME (WHICH IT HAD HERETOFORE AVOIDED DOING).

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E.O. 11652: N/A  
TAGS: ETRD, EINV, EG  
SUBJECT: COCA COLA AND THE BOYCOTT

COKE TREASURER SAM AYOUB, ACCORDING SOURCE, IS DUE IN CAIRO APPROXIMATELY APRIL 9 TO FINALIZE, AND PERHAPS ANNOUNCE, NEW BOTTLING VENTURE.

8. COMMENT. PERMITTING COKE FREELY TO IMPORT ITS SOFT DRINKS CONCENTRATE FOR LOCAL BOTTLING AND SALE OF BEVERAGE, ALTHOUGH LESS STARTLING THAN PREVIOUSLY RUMORED GOE ACTION OF FORMALLY "REMOVING" COMPANY FROM EGYPTIAN BOYCOTT "LIST", WOULD REPRESENT, AS FAR AS WE AWARE, A NEW DEPARTURE FOR GOE WITH RESPECT TO TREATMENT OF BOYCOTTED D

FIRM. WE STILL FIND IT SOMEWHAT SURPRISING THAT EGYPTIANS  
WOULD TAKE SUCH A STEP WITH RESPECT TO A PRODUCT SO  
OBVIOUSLY NON-ESSENTIAL IN NATURE AS IMPORTED SOFT DRINK.  
WE HOPE TO OBTAIN FURTHER DETAILS ON COKE ARRANGEMENT  
DURING UPCOMING AYOUB VISIT.  
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9. FOR JIDDA: STORIES ABOUT COKE "PROJECTS" IN BOTH  
EGYPT AND SAUDI ARABIA HAVE RECENTLY APPEARED IN US PRESS.  
LOCAL NEWSMAN HAS TOLD US HE UNDERSTANDS COKE, WITH BACKING  
OF VARIOUS INFLUENTIAL SAUDIS, HAS AGREEMENT FROM SAG TO  
PERMIT LOCAL BOTTLING OF COKE PRODUCT ONCE SIMILAR STEP  
HAS BEEN TAKEN IN EGYPT. NEWSMAN SAID HE WAS TOLD THAT  
SAUDIS HAD EXTRACTED QUID PRO QUO IN FORM OF AGREEMENT BY  
COKE TO FINANCE A COSTLY DESALINIZATION PLANT. EILTS

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## Message Attributes

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**Channel Indicators:** n/a  
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